

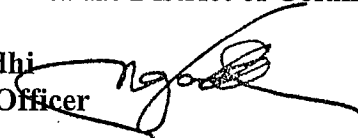
**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: June 14, 2010

SUBJECT: Fiscal Impact Statement – “Hine Junior High School Disposition Approval Resolution of 2010”

REFERENCE: Draft Resolution as shared with the OCFO on June 5, 2010– No Number Available

Conclusion

Funds are sufficient in the proposed FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed resolution based on the terms of the draft lease and land disposition agreements, which continue to be negotiated. The proposed disposition of property would result in a reduction of District real property assets of approximately \$44,672,920.¹ Since assets are not included in the budget and financial plan, the disposition of the property will have no direct fiscal impact on the District’s budget and financial plan.

Background

The proposed legislation would authorize the Mayor to dispose of District-owned property commonly known as Hine Junior High School located at 310 7th Street, S.E. in Lot 801, Square 901. The property, approximately 137,614 square feet of land, contains the Hine Junior High School building, a 134,208 square foot vacant school building. The Mayor intends to subdivide the parcel into two, and dispose of it through a combination of a 99 year ground lease and fee simple sale to Stanton-Eastbanc Hine School Ventures, LLC² (“Developer”), a District of Columbia limited liability company. The property formally known as the 700 block of C Street,

¹ A third party appraisal was conducted by an appraiser hired by the Office of the Deputy Mayor for Planning and Economic Development to estimate the Fair Market Value of the property in its “As Is” *i.e.* present state of condition. The property was appraised at \$34,000,000.

² A joint venture with Stanton Development Corporation and EastBanc, Inc.

S.E., and south to Pennsylvania Ave, S.E., would be leased, while the property north of 700 block of C Street, S.E would be sold fee simple to the Developer.

According to the draft Land Disposition Agreements (LDA),³ the property would be redeveloped into a mixed-use development that includes two multifamily residential buildings with an estimated 35 rental units (most of which will be affordable housing) and 97 condominium units, approximately 50,000 of retail space, approximately 212,000 square feet of office space (or 100 room hotel as an alternative to an estimated 65,000 square feet of the office space), and below-grade parking.

The disposition of the property and exact details of the development are dependent upon subdividing the parcel into two parcels and the outcome of the Developer's planned Unit Development (PUD) application to the Zoning Commission that the developer anticipates submitting May 2011. Based on the Schedule of Performance, construction will begin November 2012. The purchaser was chosen through a competitive bid process initiated by the Office of the Deputy Mayor for Planning and Economic Development (DMPED).

The sales price and final lease terms for the property from the District to the Developer continue to be negotiated, and have not been included in the legislation. Based on information provided by DMPED, deductions will be taken out of all Developer payments to the District for the property based on the Developer's cost of providing District-mandated affordable housing, demolition of existing structures, environment remediation, construction of the 700 block of C Street, S.E., and any other related public improvements as required by the PUD. The Developer estimates the budget of the project to be approximately \$177 million and will require no financing from the District. The assessed value of the property is \$44,672,920.⁴

Financial Plan Impact

Funds are sufficient in the proposed FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed resolution. The proposed resolution would result in a reduction of District assets of approximately \$44,672,920. Since assets are not included in the budget and financial plan, the disposition of the property through a long-term lease will have no direct fiscal impact on the District's budget and financial plan.

³ Draft Land Disposition Agreement (LDA) between the District of Columbia and Stanton-Eastbanc Hine School Ventures, LLC for the lease and the sale fee simple are not final and cannot be finalized until the land disposition is approved by Council. Therefore the terms of the draft LDA reviewed by the OCFO could change after Council approval.

⁴ FY 2010 Tax Assessed Value according to OTR's Real Property Tax Database, accessed June 14, 2010. <https://www.taxpayerservicecenter.com>